

Message Text

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ACTION EA-14

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C O N F I D E N T I A L MANILA 9190

E.O. 11652: GDS

TAGS: EAGR, RP

SUBJECT: PHILIPPINE RICE SITUATION

REF: MANILA 8019

BEGIN SUMMARY: PHILIPPINE RICE SHORTAGE INDICATED IN EARLIER REPORTING NOW CLEARLY EVIDENT AND PUBLICLY ACKNOWLEDGED BY GOVERNMENT. ALTHOUGH NATIONAL GRAINS AUTHORITY IS SELLING SUBSTANTIAL AMOUNTS AT P2.80 PER GANTA, COMMERCIAL CHANNELS ARE MAKING AVAILABLE REDUCED AMOUNTS OF RICE AT P5.00 PER GANTA AND UP. PUBLIC CONCERN ABOUT SHORTAGE APPEARS TO BE INCREASING AND PRESIDENT HAS ORDERED MILITARY TO INTERVENE IN DISTRIBUTION AND IS URGING PEOPLE TO USE SUBSTITUTES. AVAILABILITY OF CORN AND OTHER SUBSTITUTES TOGETHER WITH REDUCED SUPPLIES OF RICE CONTINUE TO APPEAR SUFFICIENT TO MEET COUNTRY'S OVERALL FOOD NEEDS, BUT THERE MAY BE ISOLATED POCKETS OF FOOD SCARCITY. AT THE LEAST, DISSATISFACTION WITH THE NEED TO TURN TO SUBSTITUTES, PAY HIGHER PRICES OR BOTH WILL DO LITTLE FOR PRESIDENT MARCOS' POPULARITY. END SUMMARY.

BEGIN UNCLASSIFIED:

1. EVIDENCE OF PHILIPPINE RICE SHORTAGE IS NOW
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INCREASING AS RICE PRICES CONTINUE TO RISE AND MORE

RETAIL STORES CLOSE. SECRETARY OF AGRICULTURE TANCO AND, ON AUGUST 8, PRESIDENT MARCOS HAVE INFORMED PEOPLE OF SHORTAGE AND URGED THEM TO CONSERVE RICE AND UTILIZE SUBSTITUTES. PRESIDENT HAS ASSURED PEOPLE THAT EVERY EFFORT WILL BE MADE TO DISTRIBUTE AVAILABLE SUPPLIES EQUITABLY AND HAS DIRECTED MILITARY TO INTERVENE IN DISTRIBUTION PROCESS.

2. ALTHOUGH NUMEROUS RICE RETAILERS ARE NOT OFFERING RICE, SUBSTANTIAL QUANTITIES OF RICE ARE STILL BEING SOLD THROUGH REGULAR COMMERCIAL OUTLETS. PRICES OF RICE HAVE INCREASED RECENTLY AND ARE NOW ABOUT 5 PESOS PER GANTA (2.24 KILOS) IN MANILA, WELL ABOVE CONTROL PRICE OF 3.50 PESOS. SOME AREAS OUTSIDE OF MANILA ARE REPORTING PRICES OF MORE THAN 7 PESOS PER GANTA. MANY RETAILERS AND WHOLESALERS ARE RESTRICTING SALES TO THEIR REGULAR CUSTOMERS AND RATIONING QUANTITIES.

3. NATIONAL GRAINS AUTHORITY (NGA) CONTINUES TO SELL RICE THROUGH ITS OUTLETS AND ROLLING STORES AT 2.80 PESOS A GANTA. HOWEVER, IT HAS BEEN RESTRICTING EACH RETAILER TO 30 BAGS (56 KILOS PER BAG) A WEEK. RETAILERS ARE IN TURN LIMITING CUSTOMERS TO TWO KILOS EACH. AS A RESULT OF REDUCED AVAILABILITY, LIMIT ON PURCHASES, AND LOWER NGA PRICE, LONG AND NOT ALWAYS ORDERLY LINES DEVELOP EACH DAY AT NGA OUTLETS IN MANILA AREA. NGA IS ATTEMPTING TO WORK OUT A SCHEME WHERE RICE CAN BE DISTRIBUTED FAIRLY AT NGA PRICE THROUGH BARANGAYS TO REGISTERED MEMBERS.

4. GOP IS ALSO ENCOURAGING SUBSTITUTION AND/OR MIXING OF CORN WITH RICE. CORN FROM HARVEST IN MINDANAO IS CURRENTLY ENTERING GREATER MANILA MARKET. NGA IS PLANNING ON MIXING CORN WITH ITS RICE STARTING NEXT WEEK, AND HAS ALREADY DONE SO THROUGH SOME OUTLETS. IN ADDITION TO STRESSING CORN AND WHEAT PRODUCT CONSUMPTION GOP IS ENCOURAGING MORE EXTENSIVE PLANTING OF ROOT CROPS AND VEGETABLES, BUT THIS LATTER ACTION WILL NOT HAVE MUCH EFFECT ON THE CURRENT SHORTAGE AS THE WORST MAY BE OVER BY TIME THESE COMMODITIES ARE READY FOR MARKET. CONFIDENTIAL

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5. GROUPS WHO APPEAR MOST AFFECTED BY THIS SHORTAGE ARE THOSE LOW INCOME URBAN DWELLERS WHO MUST RELY SOLELY ON NGA OR COMMERCIAL RETAILERS FOR RICE AND WHO ARE MOST WEDDED TO RICE AS STAPLE. RURAL AREAS ARE GENERALLY THOUGHT TO HAVE MORE STOCKS AVAILABLE, AND THERE ARE SOME URBAN DWELLERS WHO HAVE THEIR OWN SOURCE OF SUPPLY VIA RELATIVES, ETC. IN THE COUNTRY.

6. GENERAL SUPPLY SITUATION REMAINS AS REPORTED IN REFERENCE CABLE AND AGR REPORT PH3035. OF 107,000 METRIC TONS OF RICE SCHEDULED TO ARRIVE FROM JAPAN, CHINA AND TAIWAN DURING JULY, AUGUST, AND SEPTEMBER APPROXIMATELY 43,000 TONS HAVE ARRIVED SO FAR, AND ABOUT ANOTHER 20,000 IS SCHEDULED TO ARRIVE WITHIN NEXT TWO WEEKS. GOP STILL INDICATES THEY EXPECT TO RECEIVE AT LEAST 10,000 TONS FROM THAILAND AND SOME ADDITIONAL FROM MAINLAND CHINA, BUT NONE HAS BEEN SCHEDULED FOR SHIPMENT YET.

7. RICE SHORTAGE IS EXPECTED TO CONTINUE AND TO BE EXACERBATED BY HOARDING AS WELL AS SPECULATION TILL AT LEAST MIDDLE OF OCTOBER WHEN NEW CROP WILL START ENTERING MARKET. SITUATION WILL VARY FROM AREA TO AREA AND FROM WEEK TO WEEK DEPENDING UPON ARRIVALS OF IMPORTED RICE. GENERALLY SITUATION WILL DETERIORATE OVER NEXT 2 MONTHS FORCING MORE PEOPLE TO EAT LESS RICE AND/OR TO PAY HIGHER PRICES FOR WHAT THEY DO EAT. HOWEVER, BASIC DISTINCTION BETWEEN SCARCITY CONDITIONS CURRENTLY PREVAILING FOR RICE AND GENERAL AVAILABILITY OF OTHER FOODSTUFFS REMAINS VALID. WHILE RICE SHORTAGE MAY REQUIRE SOME SHORT-TERM DIET CHANGES, IT WILL NOT GENERALLY RESULT IN ABRUPT DECLINES IN PHILIPPINE NUTRITIONAL OR CALORIC INTAKE LEVELS. END UNCLASSIFIED.

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8. WHILE MAJOR DAMAGE DOES NOT YET APPEAR TO HAVE BEEN DONE, RICE SHORTAGE IS CHIPPING AWAY AT PUBLIC CONFIDENCE IN GOVERNMENT AND IN PRESIDENT'S LEADERSHIP. WHILE GOP IS NOT RESPONSIBLE FOR SUCH ASPECTS OF SITUATION AS

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CURRENT TIGHTNESS OF WORLD RICE MARKETS, NATURAL INCLINATION IS TO BLAME GOVERNMENT AND NGA OFFICERS HAVE MADE ENOUGH BLUNDERS TO GIVE CRITICISM OF ADMINISTRATION A SHARP FOCUS, ALSO, ADVICE TO PRESIDENT IS WIDELY KNOWN TO HAVE BEEN FAULTY. MEDIA TREATMENT HAS BEEN CONSISTENT WITH GOVERNMENT POSTURE, DOWNPLAYING SHORTAGE REPORTS IN EARLY JULY, REFRAINING FROM MENTINING SHORTAGES FOR TWO WEEK PERIOD BRACKETING JULY 27 REFERENDUM AND RECENTLY REPORTING SHORTAGE STATEMENTS AND PLAYING UP GOVERNMENT EFFORTS TO DEAL WITH SHORTAGE.

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